Foreign Direct Investment by Indian Multinationals: A Study of Trend, Drivers and Contribution in India's Economic Development

Synopsis

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1.0 Introduction

Foreign direct investment (FDI), a natural extension of the process of globalization that usually begins with exports, is a form of long-term international non-debt capital movement made for the purpose of productive activity and accompanied by the intention of managerial control or participation in the management of foreign firms. In the process, enterprises try to access markets or resources or technologies available overseas. The vigorous flow of direct investments, either inward or outward, reflects increasing integration of an economy with rest of the world. While inward FDI portrays the country as an attractive destination for foreign investors, outward FDI (OFDI) showcases the country's appetite and its capability to venture beyond the domestic shores (Exim Bank, 2014).

OFDIs are undertaken to increase corporate global competitiveness by pursuing related diversification and by integrating affiliates into global production networks and technology, to move up in their production value chain and secure international brand names (Pradhan and Sauvant, 2010; Athreye and Godley, 2009; Athukorala, 2009; Gill and Singh, 2012). In general, OFDI is a business strategy in which domestic firms expand their operations to foreign countries. This can take the form of a green field investment, a merger, an acquisition, or expansion of an existing foreign facility. In OFDI, enterprises try to reduce the cost of production and transaction by expanding overseas production operations in countries where certain ownership-specific advantages can help them to compete globally. OFDI contributes to economic development in developing and less advanced home countries. Multinational enterprises generate returns when they pursue assets and advantages abroad through OFDI. The financial, intangible, and tangible capacity returns help ease countries' development needs in various ways by bringing in additional finance, supporting industrial growth, technological catch-up, enhancing production capacities, and providing stability needed to support the development process.

The literature identifies three motives of OFDI, viz., efficiency-seeking, market-seeking, and strategic asset–seeking (Dunning, 1993). The first motive occurs when firms seek to increase their efficiency by transferring production facilities to countries with relatively cheap inputs. It is also called vertical FDI as it involves relocating parts of the production chain to the host country and is viewed as a complement to trade. In this case, there is no initial reduction in domestic production. The second

motive aims to serve the host country's domestic and neighboring markets. Its effects are ambiguous; OFDI in services would have either neutral or positive effects on the rate of domestic investment because FDI would not substitute exports (Hejazi and Pauly, 2003), and if OFDI displaces exports or a firm moves its production facilities from home to a host country, it would reduce domestic investment. Although, OFDI may displace exports of finished products, it may promote exports of intermediate products from the parent or other domestic firms in the home country to the firm's foreign affiliate; however, the net impact is not clear. The last motive, strategic asset–seeking, aims to obtain assets, unavailable at home, that may be important to firms' long-term strategy. This type of FDI may have positive effects on domestic investment because access to new technologies and knowledge may help firms increase their productivity and take on new activities in the home economy.

There is growing evidence that OFDI can increase a country's investment competitiveness, crucial for long-term, sustainable growth. Some countries are thus using OFDI as a channel for new development and a catch-up strategy to improve supply of resources, expand and scale-up their businesses, boost competitiveness, improve efficiency, augment managerial skills, access distribution networks, upgrade production processes, acquire knowledge and technology by joint ventures, mergers, and acquisitions.

Earlier, OFDI was considered as a developed countries phenomenon; but, over the past few decades multinational corporations from developing countries particularly Asian countries such as China and India are enthusiastically making investment abroad. The rise in outward FDI by the developing Asian economies is attributed to the growth of Asian firms (Al-Sadiq, 2013). The surge in export revenues from manufactured products and natural resources have also partially fueled the overseas investments, which encompass a wide spectrum of developing countries (Kaushal, 2018).

Although, developed countries remain the leading source of OFDI, developing and transition economies have emerged as an important source of outward FDI since the 1990s. Many multinational enterprises from the developing and transition economies are increasingly undertaking cross-border investment activities through FDI (Al-Sadig, 2013).Last few decades have witnessed a growing trend of overseas investments by developing countries. It grew from USD 13.1 billion in 1990 to USD 114.6 billion in 2004, USD 380.3 billion in 2011, and USD 416.6 billion in 2019. The share of developing

economies in world's OFDI increased from a meagre 5.4 percent in 1990 to 25.6 percent in 2010, 46.2 percent in 2018, and to the highest peak of 52.3 percent in 2020.

2.0 Outward Foreign Direct Investment: India Context

Foreign direct investment from India is one of the key outcomes of globalization and has been contributing significantly to the economic growth and development in recent years. Although, vast flow of OFDI from developing countries at an international level is relatively a new phenomenon, a few large Indian conglomerates, namely the Tata, Birla, and Kirloskar have been investing in overseas countries from the early 1960s, earlier than Chinese and Russian MNCs. The first OFDI from India was establishment of a textile mill in Ethiopia by Birla in 1955 (Saikia, 2012), followed by setting-up of an assembly line for sewing machines in 1962 by Jay Engineering Works in Sri Lanka (Lall, 1983). Later, Indian firms begun to significantly invest abroad in the 1960s, but India's restrictive OFDI regime limited them to small joint ventures (JVs) in developing countries such as Kenya, Uganda, Nigeria, Malaysia, Thailand, and Sri Lanka.

The historical background of India's OFDI can be divided in three phases (Hansen, 2010). The first phase (1970s – 1980s) was mainly led by modest investments made in JVs in Asia and Africa and shaped by political and regulatory restrictive government policies. Second was a start-up phase (1990s – early 2000s) which was largely an outcome of more liberal government stance on FDI. However, the full-scale emergence of OFDI from India was limited until the mid-1990s as India followed a more restrictive foreign trade and investment policy regime since the independence (Chowdhary, 2011).In this phase, Indian enterprises mostly used Mergers and Acquisitions (M&A) to venture abroad to access technology. The lion's share of such investment was in developed countries, dominated by the United States (24 percent) and the United Kingdom (27 percent) (UNCTAD, 2007). Indian companies such as Infosys, Aditya Birla, and HCL Technologies invested in the United States. However, growth of Indian enterprises investing abroad has been more rapid after 1991 economic reforms.

The liberalization of OFDI policy initiated by both – the Reserve Bank of India and the Government of India pushed up Indian firms to invest abroad though under stringent conditions fixed by the state. As part of the new policy emphasis, relaxation of restrictions on overseas investment began in 1992 (Athukorala, 2009), and as a result of introducing an automatic route and enhancing investment limit,

the number of Indian firms investing abroad grew up. The emergence of new Indian MNCs boosted by a preliminary substantial inward FDI of Western MNCs into India in tune with the so-called LLL – Linkage, Leverage, and Learning approach (Matthews, 2002). Instilling spillovers, incubators and learning by doing business with foreign investors in India further pushed the internationalization of Indian firms. Overseas investments from India have been primarily driven by either resource-seeking or market-seeking or technology-seeking motives. Of late, there has been a surge in resource seeking overseas investments by Indian enterprises, especially to acquire energy resources in Australia, Indonesia, and Africa (Khan, 2012).

Satyanand and Raghavendran (2010) mentioned that the growth of Indian OFDI is expected to continue, and sectoral and regional distribution of Indian OFDI is expected to broaden. The liberalization of such sectors as medical services, defence and education is prompting Indian firms to explore overseas acquisitions to build both domestic strength and global presence. It can also be expected that foreign investments in the natural resource sectors will surge, given the continuing difficulty in acquiring large tracts of land for agricultural purposes and the growing resistance to large mining projects in India. Indian MNEs will continue to invest in developed country-based companies, particularly now that they are more affordable due to the global crisis.

India's approach to OFDI has undergone a major change since initiation of the process of globalization. It's focus now is on maximizing gains to India in ways such as promotion of exports, securing of energy resources and acquisition of technology. The government has now withdrawn considerably from interfering in the outward investment decisions of Indian investors. Liberalization measures in OFDI introduced since 2004 has resulted in an increase in the OFDI flows from India. However, the fact is that India's share in global OFDI stock is negligible (0.5 percent) despite the liberalization measures (Joseph, 2019).

India's OFDI witnessed its growth so rapidly during first phase of economic reforms during 1991 and after that it also witnessed decline since the global financial crisis erupted that demotivated investment pattern of both host countries as well as foreign countries. The trend in OFDI from India indicate significant rise from USD 24 million in 1992 to USD 1397.4 million in 2001, and USD 2985.5 million in year 2005 registering 0.1 percent, 2.4 percent, and 2.7 percent share in OFDI from developing

countries. The substantial liberalization of overseas investment policy since 2004 led to build-up in the foreign exchange reserves and supported OFDI from India. The period since 2006 witnessed significant growth in FDI outflows with few exceptions. The Overseas investment from India in year 2006 was USD 14285 million; it rose to USD 21142.5 million in 2008 but decreased thereafter till 2013. In year 2020 India's OFDI was USD 11560 million with 3 percent share in OFDI from all developing countries.

Services is the leading sector of origin of OFDI, followed by manufacturing, and agriculture & mining. In services and agriculture & mining, developing countries are the major destinations. In manufacturing sector also, developing countries used to be the major destination countries, but this trend began to change from the early years of this decade. Moreover, much of the OFDI (two-third to three-fourth) originating from the manufacturing sector is from medium technology sectors. However, share of OFDI from high technology sectors has been on the rise; its share in total manufacturing OFDI increased from 16 percent in 2008 to 24percent in 2017. Whereas the share of OFDI from low technology sectors has been declining. Pharmaceuticals, automobiles, and iron & steel are the leading sectors of origin of OFDI from high and medium technology sectors. In OFDI originating from the services sector, 42percent of the investments are from less knowledge intensive services. More than one-third (36 percent) is from high knowledge intensive services like information and communication services and 23percent from other knowledge intensive services. In all categories of services OFDI, developing countries are the major destinations (Joseph, 2019).

3.0 Literature Review

The empirical literature on the effects of OFDI on home country is sparse, particularly in the context of developing countries. Although there are studies in the context of OFDI by developed countries, many of these have given greater emphasis on country specific drivers of OFDI and the impact on employment and domestic investment. Below is the brief review of selected prominent studies.

3.1 Studies on Motives and Modes of OFDI

The long-term growth plans through acquisition of strategic resources, market-base expansion, and technological advancement are cited as an important factor for internationalization of Indian firms by several studies (Athukorala, 2009). Pradhan (2004), Nayyar (2008), and Nagaraj (2009) in their study

suggested that Indian firms should invest in advanced economies to have access to intangible assets such as patents, brand name, superior marketing and managerial skills, supply chain and network, and to circumvent government regulations in foreign countries or trade barriers.

Hattari and Rajan (2010) in a study on magnitude and composition of Indian OFDI mentioned that OFDI from India is not entirely different from that of other countries; they are motivated by many common factors. However, Indian OFDI is more market and resource-seeking than OFDI from most other countries. Saikia (2012) observed that the motivation of OFDI from India which was the South-South cooperation in the earlier period is replaced by the cause of global competitiveness of Indian firms. The Indian investors have started to invest abroad as a strategy of acquiring new technologies, skills, and expertise from developed countries.

Several other studies viz., Nagaraj (2006), Kumar (2008), and Rao and Dhar (2011) viewed that Indian MNEs went abroad in the absence of investment opportunities at home, and since they did not possess clear technological advantage or established brand image. Further, Indian MNEs mainly rely on low-cost production facilities at home, as a result, mainly labor-intensive processes were located in India and capital and technology intensive process were in advanced economies. Deol (2017) pointed out that Indian companies prefer making OFDI in the economies where chances of economic growth are better, and government is effective in controlling corruption and malpractices.

The Indian OFDI landscape is changing with the participation of increasing numbers of Indian firms from a wide range of industries, the proactive role of state-owned enterprises in seeking overseas energy resources, and the growing distribution of investments, which are now geographically well spread across developed and developing regions. Indian firms are turning into global players with a global market focus and are undertaking overseas investments for international production, acquisition of foreign-created assets and foreign R&D activities (Pradhan, 2017).

3.2 Studies on Trend, Direction and Composition of OFDI

OFDI from India has undergone a considerable change not only in terms of magnitude but also in terms of geographical spread and sectoral composition (EXIM, 2014). Iqbal et. al (2018) in a study examined global and Indian trends and composition in OFDI during 2000-2011 and investigated global acquisitions by Indian corporations and their destinations. The results show that Indian OFDI is

the highest in Mauritius and Singapore and lowest in Hong Kong and Switzerland. By sectors, the highest overseas investments were made in the financial and business services in 2010 and 2011. Kudachimath and Pakhannavar (2019) observed that the trends in India's OFDI during 2007-2017 was positive. They mentioned that during study period equity participation in the overseas investments was 28 percent, loans 16 percent, and guarantee issued by the Indian companies was 56 percent. The mode of investments indicated 24 percent joint ventures and 76 percent were WOS.

Joseph (2019) tried to capture major trends and map the changes in government policy and India's OFDI since 1960s. He observed that liberalization of OFDI policy related with blanket ceiling and linking outward investment to net worth of the investors has majorly boosted OFDI from India. He mentioned that rising trend in India's OFDI is characterized by growing significance of service sector. Sinha and Rawal (2020) focused on direction and composition of OFDI from India vis-a-vis country groups. The study revealed that though India's OFDI remained very low since 1990, its growth index was way more than global trends. Though, WOS had a larger share in India's OFDI, growth index of JVs was more than WOS probably due to the reason that investors prefer WOS in developing countries and JVs in developed countries which is increasing in recent years.

3.3 Studies on Drivers of OFDI

The role of economic freedom in attracting Indian OFDI to different countries and investments by Indian multinationals to various continents have been studied; their results shows that economic freedom is one of the main determinants of growing Indian OFDI over the world (Anwar & Mughal, 2002). Poelhekke and Ploeg (2009) in a study on growth, foreign direct investment and urban concentrations provided detailed evidence on the determinants of outward FDI from the US. They mentioned that urbanization and FDI are important drivers of growth. FDI is higher in countries that are close to the US and have good institutions, well developed financial systems, a high road density, a high income per capita and substantial natural resource exports. They further mentioned that countries also attract more FDI if they have more medium-sized cities and primacy is not too large.

Nunnenkamp et.al (2011) empirically assessed the determinants of India's FDI outflows across a large sample of host countries in the 1996–2009 period. The findings of study indicate that India's outward FDI is hardly affected by motives to access raw materials or superior technologies; market-related

factors have dominated the location choices of Indian direct investors; a larger Indian diaspora in the host countries attracts more FDI; and Indian direct investors are relatively resilient to weak institutions and economic instability in the host countries. The dramatic financial and trade liberalization has instigated the gigantic outflow of investment and acquisition by India's firms. Chowdhury (2011) mentioned that the domestic economic environment including growing human capital stocks, increasing international competitiveness, large influx of inflow of foreign capital, and increased domestic savings are positively and significantly influencing India's huge outward capital flows in recent decade. However, improvement in domestic technological capabilities, rising standard of living and increased interest rates are deterrents to the OFDI of the country in the long run.

Major drivers of OFDI from India include policy and regulatory changes, expansion needs, low factor cost advantages, technical know-how (EXIM Bank, 2014). Bhanumurthy and Sinha (2015), by using principal component analysis and panel regression approach analyzed the impact of socio-economic variables such as infrastructure, human capital, labor, market, trade openness, resources etc. on FDI outflows from developing countries over a period 1990-2009. They found Infrastructure as the only single variable whose elasticity is slightly over one in the case of top ten countries and is highly significant. Therefore, the FDI outflow is going from those countries amongst developing countries that have a significant infrastructure base. Amann and Virmani (2015) analysed the 'feedback effect' of OFDI on 'total factor productivity' growth in emerging economies via technology spillovers across borders. The result confirms that FDI enhances productivity growth; however, the impact is much larger when R&D-intensive developed countries invest in the emerging economies than the other way around.

Some researchers (Dasgupta, 2015; Ahmad et. al, 2016, and others) are of the view that basic motives of OFDI from emerging economies have remained significant, but technology-seeking motive became more important during the third wave of OFDI. Hence, home countries government should liberalize regulations on OFDI to take the broader interest of enhancing and encouraging capital flows to safeguard the long-term development of nations instead of narrow national interests. Gomez-Mera et.al (2015) mentioned that emerging-market firms consider not only the size of the host economy, but also the opportunities for regional market expansion while taking location decisions. However, these

firms confront significant transaction costs from investing in distant, culturally dissimilar markets, which result in a strong regional bias in their internationalization strategies.

Deol (2017) in a study pointed out that Indian companies prefer investing in those economies where the chances for economic growth are high and the government is seen to be effective in managing and controlling practices such as corruption and malpractices. He also mentioned that geographic distance has a negative impact on Indian overseas investments. Thomas and Narayanan (2017) analyzed the determinants of OFDI with reference to firm-specific characteristics such as productivity, exports, imports of technology, and research and development (R&D) intensity on the OFDI of Indian manufacturing firms for the period from 1998 to 2009. The results of study supported theoretical argument that more highly productive firms undertake OFDI as a mode of internationalization. The results indicated a complementary relationship between OFDI and exports by Indian firms, and R&D investment and imports of technology in the form of capital goods play important roles in both the probability of undertaking OFDI and the share of OFDI.

Saikia and Borbora (2018) investigated the dynamic relationship between FDI position of India and home-country macroeconomic factors both in the short-run and long-run by employing vector error correction modelling (VECM) in time series data for 1980–2014. The study finds that the macroeconomic variables have a long-run impact on net OFDI position of India, although no causality has been witnessed in the short-run. Chaudhary et. al (2018) mentioned that for Indian companies' favorable investment climate is crucial, hence Indian enterprises may broaden their presence in developed economies through mergers and acquisitions, and greenfield investments in developing countries. Kaushal (2018) observed that the current surge in India's overseas investment is driven by Indian knowledge-based industries, such as pharmaceuticals, information technology, telecommunications, software, and automobiles.

Kakoti (2019) empirically investigated effect of India's macro factors namely gross domestic product, inward FDI, real effective exchange rate, and real interest rate on OFDI flows over the period 1980–2016. By using autoregressive distributive lag (ARDL) model and error correction mechanism for testing the long and short-run dynamics of the model the researcher observed that all selected variables have positive and significant influence on India's OFDI. Saikia, Das and Borbora (2020) tried to

explore the factors that drive the boom in OFDI of Indian firms, and the relative importance of two aspects of prior knowledge – length of prior knowledge and depth of prior knowledge on OFDI of Indian firms. They observed that prior experience and institutional advantage are strong drives of internationalization of Indian multinationals. Further, the depth of prior knowledge is a must influential driver of OFDI in comparison to its length.

More recently, Behera, Tripathy and Mishra (2022) investigates the determinants of OFDI for eight emerging Asian source countries vis-à-vis 107 host countries for a period from 2009 to 2016. The results reveal that OFDI position of Asian emerging countries targets developed countries for market and asset seeking purposes, emerging countries for market seeking, and most resource seeking investments are directed to other developing countries.

3.4 Studies on Impact of OFDI

The study of Stevens and Lipsey (1992) based on firm-level data on domestic and foreign operations of seven MNEs of United States show that there is a strong positive correlation between OFDI and domestic investment. Feldstein (1995), in a study on OECD countries for a period from 1970s to 1980s found that each dollar of outward FDI reduces domestic investment by about one dollar; he observed that the results are robust to different specifications. Andersen and Hainaut (1998), using data for the United States, Japan, Germany, and the United Kingdom spanning from the 1960s until the 1990s, reached at same results as in Feldstein. In each country, outward FDI is found to reduce domestic investment, though the relation may not necessarily be a dollar-for-dollar correspondence.

To test the relationship between OFDI and domestic investment, Desai et al. (2005) used two approaches: the first, similar specifications to Feldstein with much broader sample of OECD countries for 1980s and 1990s, and the second, with use of time-series data on capital expenditures of US MNEs. The findings of first approach indicated that OFDI from OECD countries reduces domestic investment, while second approach explicated that higher capital expenditure by US MNEs abroad is associated with higher domestic capital expenditure by the same firms, suggesting that foreign and domestic investment are complements rather than substitutes. Herzer and Schrooten (2007) in a similar study on United States and Germany found that in Germany, OFDI has a negative long-run effect on

domestic investment, while the short-run, the effect is positive. The effect of OFDI on domestic investment in US was found to be positive in long-run.

Al-Sadig (2013) empirically investigated the effects of outward FDI on domestic investment in developing countries by using data from 121 developing and transition economies over the period 1990–2010. The results suggest that FDI outflows negatively affect the rate of domestic investment. Das (2015) investigated home-country effects of OFDI by Indian manufacturing firms during 2008-2011 using a quasi-experimental technique. The empirical evidences reveal that OFDI by Indian MNEs has positive impact on export intensity and R&D, but no significant impact on domestic investments, output, employment, import of raw materials and capital goods. At overall level the researcher observed no significant negative or substitution effect of OFDI on domestic activity.

Knoerich (2017) tried to examine how OFDI supports economic development in the world's less advanced home countries. The study finds that the objective of multinational enterprises to pursue assets and advantages abroad through OFDI can yield financial, intangible capability and tangible capacity returns. These returns, generate important macroeconomic gains, mitigate some of the typical problems of economic development and provide broader benefits to societies. In emerging economies OFDI complements the development benefits through trade, migration and inward FDI. The state, especially in emerging economies, plays a key role in influencing firm behavior, including OFDI in several ways, including policy support and subsidies. Ritterspach et. al (2019), by taking key insights from the literature developed a series of propositions on how home-country measures in both emerging and developed economies boost volume, location and mode of firms' investments abroad.

Recent study of Nayyar and Mukherjee (2019) seeks to foster empirical evidence on how home country macroeconomic conditions and Government policies are relevant to OFDI flows from India during the period 1984 to 2015. They observed existence of a long-run significant relationship between OFDI flows and home country macroeconomic and Government policies. The researchers emphasized on need for Government to enhance its effort on the development of knowledge infrastructure to support the OFDI from India's manufacturing sector and thereby contribute to the success of 'Make in India' program.

4.0 Research Motivation

Over the last three decades India has transformed from an agricultural economy to one of the largest and fastest growing economies in the world. In the context of internationalization of developing economies, India's evolution in growth and nature of OFDI holds utmost significance. While India has traditionally been an attractive destination of FDI, it has also emerged as an important source of FDI particularly after the introduction of economic reforms in 1991 (Chaudhry, Tomar & Joshi, 2018).Liberalization of FDI regime since 1991 has played a momentous role in transforming Indian economy and strengthening its position in the international arena, especially the overseas direct investment. In last one and a half decade, outward investment from India has undergone a considerable change, not only in terms of magnitude but also in terms of geographical spread and sectorial composition. Although, after 30 years post-reforms scenario, we have seen many ups and downs in OFDI, India has witnessed to play significant role in establishing business in foreign economies and that too towards developed economies of the world.

Though, gigantic literature on several aspects, such as motives, drivers, trends, and composition of OFDI is available, the results are ambiguous, and the impact of OFDI on the home country is not clear. Unlike most of the emerged and emerging market economies, the perception toward OFDI-led economic growth reasonably remains susceptive for India. This might be the reason why the economic policies of India pertaining to OFDI could not become smooth. Lack of confidence, suspicion and great caution always prevail among the MNCs, development economists and policymakers over the actual impact of OFDI on the Indian economy. Further, the existing literature lacks comprehensive empirical evidences of the motivating factors, and experience of Indian multinationals corporations investing abroad. In this backdrop, the motivation behind proposed investigation is to develop fresh insights on recent trends, drivers, home-country measures to support OFDI in Indian context, to examine contribution of OFDI on India's economic development, and analyze empirical evidences on the motivating factors, and experience of Indian multinationals corporations investing abroad.

5.0 Research Objectives

The objectives of proposed study are as follows.

1. To analyze trend, direction and composition of outward foreign direct investment by Indian multinational corporations.
2. To identify prime drivers of OFDI and examine their impact on overseas direct investment by Indian multinational corporations.
3. To elucidate home country measures to support and motivate outward foreign direct investment by Indian multinational corporations.
4. To examine contribution of outward foreign direct investment by multinationals corporations in India's economic development.
5. To analyze empirical evidences of the motivating factors, and experience of Indian multinationals corporations investing abroad.

6.0 Material and Methods

To accomplish above objectives the specific methodology sketched out is as follow.

1. Trend, direction, and composition of OFDI will be analyzed by using secondary data available in research papers, working papers, technical reports and database from official websites of Ministry of Finance (GoI), Ministry of Economic Affairs (GoI), Reserve Bank of India (RBI), United Nations Conference on Trade and Development (UNCTAD), World Development Indicators (World Bank), and Organization for Economic Cooperation and Development (OECD). The collected data will be analyzed by using basic statistical techniques.
2. The key drivers of OFDI will be identified on the basis of review of existing literature and researcher's own understanding; their impact on India's outward foreign direct investment will be traced by using ADF Unit Root test, Principal Component Analysis, Granger Causality test, and Ordinary Least Square (OLS) methodology.
3. The home country measures (policy and regulatory framework; institutional, operational, financial and fiscal support; and investment agreements and treaties) to support and motivate OFDI will be scrutinized by using secondary information available in technical reports, working papers, research papers, and government publications.

4. The contribution of OFDI by Indian multinationals in India's macroeconomic development will be analyzed by using ADF Unit Root test, Granger Causality test, and Ordinary Least Square (OLS) methodology.
5. The empirical evidences on the motivating factors and experience of Indian multinationals corporations will collected through survey of a minimum of 200 respondents (representatives) of Indian multinational corporations that have made OFDI by way of structured questionnaire. Collected information will be analyzed by using basic statistical techniques, and Chi-square test.

6.1 Data Period: Annual data series in post-liberalization period (1992 onwards)

6.2 Data Source: Secondary and primary both.

- Secondary: Research papers, working papers, technical reports, and literature and database of Ministry of Finance (GoI), Ministry of Economic Affairs (GoI), Reserve Bank of India (RBI), United Nations Conference on Trade and Development (UNCTAD), World Development Indicators (World Bank), and Organization for Economic Cooperation and Development (OECD)
- Primary: Survey of the opinion of respondents (representatives) of Indian MNCs that have made OFDI by way of structured questionnaire.

6.3 Sample Design: The sample is based on the population of multinational corporations from top five sectors that have made total overseas direct investment worth US$ 5 million or more in last three years. The top five sectors having minimum 5 percent share in India's total overseas direct investment in last three years (from 2019-20 to 2021-22) are Financial, Insurance and Business Services; Manufacturing; Wholesale, Retail Trade, Restaurants and Hotels; Agriculture and Mining; and Construction.

Table 1 Sample Frame

S. No.	Sector	% Share in Total OFDI	Population*	Sample
1.	Financial, Insurance and Business Services	36	177	75
2.	Manufacturing	27	177	75
3.	Wholesale, Retail Trade, Restaurants & Hotels	16	123	52
4.	Agriculture and Mining	6	24	11
5.	Construction	5	41	17
	Total		**542**	**230**

* MNCs with ≥ US$ 5 million in last 3 years.

Source: Statistical Database, RBI (Compiled)

The size of sample is decided by using Yamane's methodology.

$$n = \frac{N}{1 + N(e)^2}$$

It considers population size and margin error at desired confidence level.

In the proposed study, population size is 542 MNCs, confidence level is 0.95, and margin error is 0.05. Accordingly, sample size is calculated as:

$$n = \frac{542}{1 + 542(0.05)(0.05)} = 230$$

hence, ideal sample size for proposed study is 230 MNCs.

6.4 Analytical Tools: Basic Descriptive (Mean, Dispersion and Coefficient of Variation), Chi-square test, ADF unit root test, Principal Component Analysis, Granger Causality test, OLS Estimates, and or Cointegration and Vector Error Correction Model (VECM)

6.5 Software: Microsoft Excel (10.0), and E-Views (version 12.1)

7.0 Expected Implications

Proposed study is expected to generate meaningful implications for overseas investors, regulators and policymakers, and scholars working in the area of international business and other related fields. The comprehensive analysis of trend, direction, composition, and drivers of overseas direct investment along with the contribution of OFDI on Indian economy will help scholars, overseas investors, and the government in identifying the best and most appropriate policies in support of OFDI, and to cope with the increasingly difficult management of MNEs that are less home-country centric but truly transnational. Empirical evidences on the experience of Indian MNCs will help the researchers, policymakers, and new investors in developing better insights for policy formulation, and strategic decision making.

Chapter Plan

1. Introduction
2. Outward Foreign Direct Investment by Indian multinationals: Recent Trends
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4. Home Country Measures Supporting OFDI by Indian multinationals
5. Contribution of OFDI in India's Economic Development
6. Experience of Indian Overseas Investors: Survey Results and Analysis
7. Conclusion and Suggestions

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